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E.O. 12958: DECL: NA  
TAGS: [EAIR](#) [EFIN](#) [BEXP](#) [KCOR](#) [UP](#)  
SUBJECT: UKRAINE: AIRLINE TICKET PAYMENT SYSTEM UNDER THREAT FROM  
STATE AVIATION AUTHORITY?

REF: KIEV 2788

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1. (SBU) Summary. The Kyiv representative office of the International Air Transport Association (IATA) informed member airlines on October 24 that Ukrainian government agencies were trying to prevent IATA from implementing its billing and settlement plan (BSP) -- the industry-standard clearing system for air transport payments. According to IATA, Ukraine's State Aviation Administration (SAA) is accusing IATA of illegally importing the blank ticket stock used in BSP, which IATA denies. IATA Representative Sergei Martinyuk told EconOff on October 30 that SAA was pressuring IATA because IATA did not agree to use the SAA's suggested clearing bank for BSP. As a result, SAA established its own parallel national clearing system, and asked international airlines to assist. IATA now is seeking a court ruling confirming its BSP operations are legal. The court case is scheduled for November 3. End Summary.

#### Inspections, Challenges, and Harassment

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2. (SBU) IATA's representative office in Kyiv alerted member airlines on October 24 that it had been subject to multiple inspections and legal challenges apparently aimed at preventing IATA from putting in place its billing and settlement plan (BSP). Since IATA introduced the BSP in Ukraine in September 2005, IATA has been subject to numerous inspections from the Transport Prosecutor's Office, the State Security Service, the State Service for Economic Crimes, and the Tax Inspection, according to IATA representative Sergei Martinyuk. Martinyuk told EconOff October 30 these inspections began after IATA did not comply with State Aviation Administration (SAA) "suggestions" on how IATA should implement BSP in Ukraine and which local bank it should use for clearing operations. According to Martinyuk, member airlines selected Citibank Ukraine as the BSP clearing bank after IATA held a competitive tender. (Note: BSP is the industry standard clearing system for airline and agent settlement operations. BSP operates in 155 countries around the world and processes 80% of airline revenues worldwide. End Note.) Delta Airlines' local representative Dan Fenech raised the BSP issue on October 27 with the head of SAA's Licensing Department, who only reiterated SAA's concern that IATA had not registered its ticket stock with the GOU.

#### Legal Challenges

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3. (SBU) The SAA sent letters in September 2005 to IATA and travel

agents claiming that BSP was illegal. Simultaneously, the SAA began developing an alternative Ukrainian National Settlement System, and asked international airlines to assist. The SAA argued that IATA had violated the law by failing to register with the Finance Ministry the blank ticket stock which IATA imports from Germany and distributes to ticket agents on behalf of member airlines. A December 2005 order from the Prosecutor General's office also claimed that IATA was required to register the stock in order to comply with Ukrainian licensing law.

¶4. (SBU) IATA responded via letter that the licensing law applied only to ticket stock produced in Ukraine. IATA sued the SAA in March 2006 and again in May, seeking a court ruling that it could legally use its blank ticket stock. Both courts dismissed IATA's claim, following what Martinyuk described as "pressure" from SAA or its business backers. IATA then filed suit against the Prosecutor General to have its order requiring registration overturned. The hearing in that suit is set for November 3. Delta's Fenech told EconOff October 27 that BSP's payment standardization is critical to Delta's operations.

#### The Road Ahead

¶5. (SBU) Comment. The harassment of IATA via numerous inspections and the SAA's earlier draft regulation governing ticket stock (reftel), suggest strongly that parties within or close to SAA want to stop BSP in Ukraine, possibly in order to control the float on ticket payments through a friendly bank of their choosing. This issue could gain significance if Ukrainian courts fail to find the use of IATA ticket stock to be legal. Post will look at next steps once IATA's legal challenges have clarified the situation more.

Taylor